

Commodity Outlook

Tuesday, March 29, 2016



Gold

Technical

Gold markets initially fell during the day on Monday, but found enough support near the \$1210 level to turn things back around and form a hammer. The hammer of course is a very bullish sign and if we can break above the top of it and of course the candle from Friday, gold should continue to grind its way higher and reach towards the \$1270 level. With this, we are bullish of this market and have no interest whatsoever in selling because we not only recognize that the hammer is very supportive, but there is also a significant amount of support at the \$1200 level below.

Pivot:	1,218		
Support	1,206	1,200	1,195
Resistance	1,225	1,231	1,236

Recommendation

Sell positions below 1225.0 with targets at 1206.5 and 1200.5 in extension

Highlights

- Gold edged up yesterday, as the dollar retreated after weaker-than-expected U.S. data, but stayed close to a one-month low
- Investors focused on Fed officials that could give clues on potential interest rate increases
- U.S consumer spending rose marginally in February
- Weaker U.S data supports the view the Fed would raise interest rates at gradual pace
- Liquidity was thin as London and many other gold markets were closed for the Easter Monday holiday

Gold - Technical Indicators

RSI 14	43.14
SMA 20	1,246.36
SMA 50	1,209.44
SMA 100	1,143.70
SMA 200	1,133.50

Gold Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Gold fell today, extending losses after its biggest weekly drop since early November, as the dollar firmed ahead of a speech by Federal Reserve chair Janet Yellen which will be watched for clues on U.S. monetary policy. Yellen is due to speak at the Economic Club of New York.
- Gold is highly sensitive to U.S. monetary policy, as rising interest rates lift the opportunity cost of holding non-yielding bullion, while boosting the dollar. The precious metal slid 3 percent last week after hawkish comments from a series of Fed officials.
- Spot gold was down 0.2 percent at \$1,217.96 an ounce, after touching a one-month low on Monday at \$1,208.15 an ounce. U.S. gold futures for April delivery were down \$2.00 an ounce at \$1,218.10.
- The odds for such an event are still very low, but if Janet Yellen does shows her hawkish side, the possibility of the April meeting becoming a live one could inflate even further. The next support is at \$1,179. A hawkish Yellen and a strong reading for the U.S. non-farm payrolls could easily push the gold price to this level.
- European shares rose and the dollar climbed 0.1 percent against a basket of currencies on Tuesday as investors looked to Yellen's speech for clues to the interest rate outlook following weak U.S. data. Reports showed U.S. consumer spending barely rose in February and inflation retreated.
- The Fed funds futures market is still pricing in a September rate hike at the earliest - a shifting of expectations towards an earlier rate hike could see the dollar and Treasury yields move higher and gold under pressure once again.
- Elsewhere, data showed the world's biggest bullion consumer China's net gold imports via main conduit Hong Kong rose in February from a 17-month low reached in the previous month.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	135,390	108,051	56%	188,511	215,209	47%	36,847	37,668	49%	384,974
02-Feb-16	137,182	104,959	57%	182,101	215,122	46%	37,617	36,819	51%	379,550
09-Feb-16	139,124	100,357	58%	179,334	221,218	45%	38,246	35,249	52%	383,201
16-Feb-16	145,857	101,844	59%	199,650	244,905	45%	37,217	35,975	51%	415,426
23-Feb-16	146,018	99,435	59%	200,101	246,192	45%	36,635	37,127	50%	410,959

Source: CFTC, IGI Research

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Crude Oil

Technical

Oil market initially rallied during the course of the day on Monday, but found the \$40 level be far too resistive. We turn right back around to form a bit of a shooting star, and then shooting star of course suggests that we are going to fall from here. If we do, the \$38 level below will be supportive, but we should continue to go below there given enough time. In fact, we will more than likely try to get to the \$36 level, but we would wait to see a daily close below \$38, because it would suggest that the downward pressure should continue. On other hand, if we break above the top of the shooting star, the market should then go to \$42.

Pivot:	38.89		
Support	38.35	38.00	37.70
Resistance	39.97	40.40	40.85

Recommendation

Sell positions below 39.97 with targets at 38.35 and 38.00 in extension

Highlights

- Oil prices fell in thin trade in today's session ahead of a speech from Federal Reserve Chairwoman Janet Yellen
- West Texas Intermediate, was down 1.5% at \$38.79 a barrel in morning trading
- Trading was thinner than usual as many participants hadn't returned to the market after the Easter break
- Market participants are eyeing a speech from Ms. Yellen later today
- The job report later this week will also give a signal on the state of the economy

Crude - Technical Indicators

RSI 14	56.02
SMA 20	38.10
SMA 50	34.28
SMA 100	34.94
SMA 200	39.97

Crude Oil Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Oil prices fell today, reflecting growing concerns that a two-month rally may be in danger of fizzling, while analysts forecast another rise to record levels for U.S. crude stockpiles.
- The oil price has risen by more than 45 percent since mid-February ahead of a meeting next month between the world's major producers to discuss an output freeze to support prices. But there is growing scepticism about the outcome of meeting.
- The amount of verbal intervention, which has obviously helped the market greatly over the past two months, combined with a production slowdown in the U.S, has probably taken oil as far as it can, now the market really wants to see some action.
- OPEC and other major suppliers, including Russia, are to meet on April 17 in Doha to discuss an output freeze aimed at bolstering prices. But with ballooning global inventories, signs that some OPEC members are losing market share, plus little evidence of a strong pick-up in demand, analysts said oil is likely to trade in a range.
- The numbers continue to suggest a supply glut and I suspect that more talk is relevant out of OPEC and Co to help the price stand up or to help it remain relatively stable.
- U.S. commercial crude oil stockpiles were expected to have reached record highs for a seventh straight week, while refined product inventories likely fell, a preliminary Reuters survey showed late yesterday.
- The U.S. job report later this week will also give a signal on the state of the U.S. economy. Elsewhere, major oil producers will meet in Doha on April 17 to discuss a freeze of oil production, but Iran and Libya will be absent.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
02-Feb-16	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
09-Feb-16	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
16-Feb-16	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
23-Feb-16	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC, IGI Research

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Silver

Technical

The silver market initially rallied during the course of the session on Monday, but turned right back around to form a shooting star. The shooting star sits at the bottom of the range, so the silver market could break down a little bit from here. Even if we do though, there is a massive amount of support all the way down to at least the \$15 level, so we have no interest in selling anyway. It would be much easier to buy this market on a break above the top of the shooting star as it would show real strength, with the market heading to the \$16 level.

Pivot:	15.12		
Support	15.00	14.88	14.58
Resistance	15.35	15.56	15.73

Recommendation

Sell positions below 15.35 with targets at 15.00 and 14.88 in extension

Highlights

- Silver fell almost 60 cents. Since silver fell proportionally farther than gold, the gold-silver ratio went up
- Silver prices remain depressed and it has failed to keep up with the recent rally in gold
- A sharp reduction in investment by miners will place pressure on silver supplies and cause production to fall
- For the year-to-date the iShares Silver Trust shot up by 9%
- The price of silver soared over the last three months, but that momentum has paused

Silver - Technical Indicators

RSI 14	46.64
SMA 20	15.50
SMA 50	15.15
SMA 100	14.61
SMA 200	14.83

Silver Daily Graph



Fundamentals

- Silver futures traded higher yesterday, rebounding from last week's sharp selloff after weak consumer spending data pointed to lackluster growth at the beginning of the year.
- Silver for May deliver climbed 13 cents or 0.9% to \$15.33 US per troy ounce on the Comex division of the New York Mercantile Exchange. Relative strength is below 50 and reversing higher after last week's sharp decline.
- The grey metal is consolidating higher after falling nearly 4% last week, as a surging US dollar weighed on non-yielding precious metals. The 30-day gold-to-silver ratio, which is used by investors to determine when to buy or sell precious metals, currently stands at about 1 to 80.5.
- The gold-to-silver ratio has widened in recent weeks, a sign that the grey metal is sharply undervalued. In addition to being undervalued, silver will likely benefit from growing industrial demand in sectors ranging from solar panels to other forms of clean tech. This could offset declining production of the grey metal due to weaker demand for copper, lead and zinc.
- More than two-thirds of silver is mined as a byproduct of gold and base metals. In economic data, American household spending rose modestly in the first two months of the year, suggesting that lackluster growth in the broader economy could keep interest rates lower for longer.
- Consumer spending edged up 0.1% in February after a downwardly revised gain of 0.1% the previous month, the Commerce Department reported yesterday. Consumer spending, which accounts for more than two-thirds of economic activity, was originally said to have increased 0.5% in January.
- Last week the Commerce Department revised up its estimate of fourth quarter growth to 1.4% from 1%, citing a bigger contribution from consumer spending than previously forecast.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
02-Feb-16	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
09-Feb-16	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
16-Feb-16	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
23-Feb-16	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC, IGI Research

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Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Tue Mar 29	04:30	Japan Jobless Rate (FEB)	medium		3.2%	3.2%
Tue Mar 29	04:30	Japan Household Spending (YoY) (FEB)	medium		-1.9%	-3.1%
Tue Mar 29	04:50	Japan Retail Trade (YoY) (FEB)	medium		1.6%	-0.2%
Tue Mar 29	04:50	Japan Large Retailers' Sales (FEB)	medium		1.6%	0.9%
Tue Mar 29	10:00	Japan Small Business Confidence (MAR)	medium		49.0	47.9
Tue Mar 29	12:35	Switzerland Total Sight Deposits (MAR 25)	low			482.5b
Tue Mar 29	18:00	U.S S&P/Case-Shiller Composite-20 (YoY) (JAN)	medium		5.75%	5.74%
Tue Mar 29	19:00	U.S Consumer Confidence (MAR)	high		94.0	92.2
Tue Mar 29	20:30	U.S Fed Chair Janet Yellen Speaks to Economic Club of New York	high			

Source: Forex Factory, IGI Research

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